TESTIMONY OF SHERYL VANCO
BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON REGULATIONS AND HEALTHCARE
REGARDING THE IMPACTS OF FOOD RECALLS ON SMALL BUSINESSES
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Chairwoman Dahlkemper, Ranking Member and members of the subcommittee, thank you for the opportunity to testify today. My name is Sheryl Vanco, and my husband Steve and I own and operate a ninety-five cow dairy in Warren County in the Northwest corner of Pennsylvania. We have two sons working off the farm. Christopher is a computer tech specialist for a large mail-order company, and Peter is currently teaching English in the Hakodate Japan school system under the JET program. We hire two full time workers, one of them Amish. My husband and I both work on the farm full time. It is a lifestyle that we chose and love.

I have degree in Food Science from Penn State University. I am a director for the Farmers Union Milk Producers Association (FUMPA), a small independent co-op with members in Pennsylvania, New York, and Ohio. We currently market our milk to an independent proprietary cheese plant in Ohio. Our milk is pooled in Federal Order 33 and qualified at Smith Dairy in Ohio. I am also a Governor-appointed commissioner in the Pennsylvania Animal Health and Diagnostics Commission. The Commission is a fifteen member board chaired by the state veterinarian. There are six producers on the board, three of which are dairy producers. We oversee the animal health rules and regulations in the state, as well as the three animal health diagnostic labs in Pennsylvania. Lastly, I am a member of the Pennsylvania Farmers Union, a state chapter of National

Farmers Union (NFU). NFU is a general farm organization advocating on behalf of family farmers and ranchers across the country.

We are proud of our industry and the quality dairy products we produce. We work hard every day to ensure a wholesome product. Our farm facilities are inspected by our state licensed co-op or milk plant inspectors four times per year, and additionally if any milk tests indicate violations. Multiple repeat violations result in loss of market. Every eighteen months, all U.S. farms receive a federal rating inspection. The passing score is not 70 points out of 100, but rather 90 points minimum to retain the rating. All farms in the unit, whether it is a co-op or proprietary dairy direct producers, are include in this rating average, and a failure immediately diverts the milk to lower class utilization until the rating score is passing on re-inspection. This is very costly to the producers as they receive less money for the diverted milk.

Our milk is tested regularly for purity. Annually, our milk is tested for Brucellosis, which causes undulant fever in people. It has been very rare in recent years to find a cow testing positive for this disease in the United States. Nearly all of our states have had a Brucellosis free status for many years. There is mandatory monthly testing for bacteria: a direct microscopic account of all bacteria and an incubated test to count specific bacteria that correlates directly to milk shelf life, namely the PI count. Weekly our milk is tested for somatic cell counts which indicate the health of the cow's udder. Every drop of milk that we ship to market is tested for antibiotic residue. Each of these tests has strict criteria, and violations result in penalties ranging from a warning and visit by the milk

inspector to being shut-off from shipping milk until the problem is corrected. In the event of a positive antibiotic test, the entire truck load of milk that contains the contaminated milk is rejected and disposed. The producer whose milk is found to be positive not only loses the value of his milk, but he must reimburse producers for all other milk that is on that load, typically $10,000 worth of milk on a single truck. He is also responsible for the costs of transporting the milk to approved dumping facility and must pay disposal fees involved.

Our cows are routinely vaccinated to prevent diseases. They received prompt veterinary care for any health problems, and much of this is done by the farmer or herdsman at their own expense. Due to the increasing shortage of large animal veterinarians in the country, anything beyond the farmer's ability results in a call to the local veterinarian for diagnosis or specialized treatment. Vets play a huge role in advising on-herd protocols for routine vaccinations and care. Nutritionists work with the producers to ensure a diet that keeps the cow healthy and producing milk. The value of a cow is high. When milk prices are at a profitable level, a cow is worth $2000 or more. Unfortunately, today's depressed milk prices have declined a cow's value by several hundred dollars, but it is still a major investment on the farm. The cow is the heart of the dairy business and dairy farmers realize that the animal's health bears on the production of milk that provides the farm's income. Farmers appreciate the value of the cows and feel an emotional attachment to care for them well.

When a dairy cow's productive life is over, it joins the beef cattle in the market. The animal is visually inspected before and after slaughter. Unhealthy cattle, whether downer or not, do not enter the human food chain. Tissue samples are tested for antibiotic residue and those that test positive are rejected, along with those who do not pass the visual health inspection. Our domestic meat and milk products are highly regulated for quality and safety at the farm level.

When there is a problem that leads to a product recall, contamination is usually found to happen at the processing facility. Not only does a product recall of hamburger lead to severe financial losses to the processing facility, but it also leads to consumer fear and depressed sales of the product across the country. Reduced sales of the processed product lead to lower prices to the farmer supplying the cattle. The depressed prices can last for weeks or months and have a devastating effect on farmers' incomes. Likewise, a Listeria outbreak in cheese leads to lower cheese consumption that depresses farm level milk prices.

Our milk coop markets our milk to a cheese plant in Ohio. A recall of dairy products in any part of the country would erode consumer confidence and lead to an immediate reduction in sales. Milk is a highly perishable product, and reduction in consumption results quickly in lower prices to farmers. A recall of a product from the cheese plant that buys our milk would be more of an impact to us. Our contract would protect us, since the plant would be responsible to find an alternative market, but would still pay us the negotiated price. If the recall was large enough to lead to bankruptcy, we would lose our

market and be at the mercy of the general market. We would be forced to find a new home for our milk, and it could be at significantly lower prices. Milk spoils rapidly, and if there is a surplus due to over production, milk not under contract sells well below cost of production. Financial failure of our market plant would lead to financial devastation to the farms that supply it.

We believe that food imports pose a much greater food safety threat to American consumers than domestic food. In the 1950's, the United States passed laws requiring fluid or bottled milk to be refrigerated on farm and sent to the processing plant in a cold state. The Pasteurized Milk Ordinance defines the standards for milk. Only a minimal amount of food imports are physically inspected, and of those which are inspected, many are rejected for reasons ranging from mislabeling to residues of pesticides banned for use in this country. We support the following initiatives to ensure consumer protection:

1) Increased funding and number of inspectors for the Agriculture Quarantine Inspections Program and transfer inspectors back to USDA from Department of Homeland Security (DHS);

2) Legislation to pass "circle of poison" prohibiting the export of chemicals not registered for food and fiber uses in the U.S. for food and fiber uses in other countries;

3) Strict monitoring of imports to prevent importation of residues of chemicals banned in the U.S. for food and fiber;

4) Banning U.S. companies from manufacturing chemicals that cannot be used in the United States;

5) Requiring all imported foods, feeds and fibers to meet the same health and inspection standards as those required for domestic products;
6) Requiring inspection be continuous and thorough, not just an occasional, minor sampling. Products that fail inspection should be condemned and not allowed a second opportunity to enter our country; and
7) Expenses for all inspections coming from fees on the imported products paid by the exporter at the point of origin.

We should require all food products that enter our market to be regulated and inspected to meet the same safety standards. The recent Chinese melamine scandal in milk products, specifically infant formula, should be a wake up call. Melamine was added to milk to artificially raise the test level of protein to increase the sale value of the milk. This was a blatant case of adultery to the product and fraud to the buyer. Unfortunately, the health consequences to consumers, including the babies who drank the infant formula, where far more devastating to their health than their pocketbooks. True milk products are whey. A product called Milk Protein Concentrates (MPC) exists on the world market. These products are often casein derivates posing as whey. They are not the same protein product. There is a test to determine the difference but it is hardly ever used. The last trade agreement neglected to include MPC's in dairy trade tariffs and quotas. This has allowed a large loophole for these products to enter the United States free of tariffs and free of any quantity limits. Similarly, melamine tainted proteins enter the United States market from China. We were very lucky that only a small amount of candy was found to

contain melamine and was recalled. Imagine if a large amount of this protein powder had joined the MPCs used in the cheese vats of our country.

MPCs are not recognized as Generally Recognized As Safe (GRAS) approved by FDA. They are illegal in all dairy products with a standard of identity that includes the legal definition of milk. These MPCs are used in a variety of bakery and confectionary products (attached are the definition and list of standard ID products). A lot of it finds its way into our American cheese since it lowers the cost of production. The result is inferior flavor and texture to the cheese. MPC must be listed on the label of any cheese product containing it- look for it on Kraft Singles labels. Producers want all imported dairy products to meet the same inspection and production standards that we meet so that the products are safe and we can compete economically in the market. Using an inferior illegal product to lower the cost of production is not fair market practice.

MPCs are coming into the United States from countries that lack refrigeration on the farms. They come from Australia, New Zealand, China, India, and Soviet Block Eastern European countries, including the area around Chernoble, which had a major failure of a Nuclear Energy Reactor. These products are not produced under the same safety standards that we meet every day, and they jeopardize our products. Imported milk products that are contaminated can be mixed into our products and lead to food recalls that we cannot economically afford and health risks that we should not be exposed to.

America's farmers and ranchers produce the safest, most abundant food supply in the world. With each outbreak of salmonella, discovery of harmful chemicals in toothpaste, or threat of tainted infant formula, the agricultural industry in the United States is forced to defend itself. The impacts of food recalls are having an especially negative economic impact on family farmers and ranchers. Recent contamination events demonstrated that current U.S. laws and their enforcement are not sufficient to address the complexities of our nation's food supply. I encourage the subcommittee to work with their colleagues in addressing these issues.